

**Title 12 – DEPARTMENT OF REVENUE
Division 10 – Director of Revenue
Chapter 400 – individual Income Tax**

PROPOSED RULE

12 CSR 10-400.210 Children in Crisis Tax Credit.

PURPOSE: This rule explains the application, allocation of funds, and redemption process to claim the Children in Crisis credit.

(1) In general, this rule describes the procedure to claim a Children in Crisis tax credit for tax years beginning on or after January 1, 2006, and the distribution of funds associated with the credit.

(2) Definition of Terms.

(A) Children in Crisis tax credit - A tax credit equal to fifty (50) percent of a verified contribution to a qualified agency. The minimum tax credit issued will not be less than fifty dollars (\$50).

(B) Qualified Agency – Agencies as defined in section 135.327.1, RSMO., and as qualified by the Department of Social Services. Qualified agencies must apply to the Department of Social Services prior to December 31 of each year to verify qualified status.

(C) Approved payment arrangement - A payment plan signed by the taxpayer and submitted to and approved by the Department of Revenue (department) within sixty (60) days from the notice of denial.

(3) Basic Application.

(A) A Qualified Agency shall provide a contribution verification certification to the taxpayer who makes a contribution to the agency. This contribution shall not be less than one hundred dollars (\$100).

(B) In order to claim the tax credit, a taxpayer must complete and submit the following:

1. MO 1040 tax return,
2. Form MO-TC,
3. Contribution verification from the qualified agency receiving the contribution.

(C) The filing period for claiming the children in crisis tax credit begins on July 1 and ends on April 15 of the fiscal year. If the filing period ends on a Saturday, Sunday, or a holiday, the last day for filing shall be the first business day following the end of the filing period. Any claims filed after the filing period shall be denied.

(D) In the event of a credit denial due to lack of available funds, the taxpayer will not be held liable for any penalty or interest, provided the balance is paid, or a payment arrangement has been received and approved by the department, within sixty (60) days from the notice of denial.

(E) Any amounts outstanding sixty (60) days after the denial notice date will be charged interest from April fifteenth of the fiscal year at the rate statutorily provided.

(F) Funds will be distributed by taking any amount unclaimed in the resident pool for special needs adoptions and dividing it into equal amounts. This amount will then be

available for payment of credits from the qualified agencies as defined above. In the event claims from one agency do not total the amount of credit allotted for that agency, the remainder of that agency's allotment will be divided equally and added to the available funds of the other agencies until all claims are paid or apportioned.

(F) In the event claims for the Children in Crisis tax credit total more than the available funds, the claims will be apportioned so that all claims for the Children in Crisis tax credit will receive an equal percentage.

(G) The amount of tax credit used may not exceed the income tax for the tax year. The portion of the tax credit which exceeds the income tax shall not be refunded but may be carried forward and used against the taxpayer's income tax for the subsequent four (4) tax years.

(4) Examples.

(A) An individual donates \$200 to a qualified agency on December 1, 2007 and receives a contribution verification showing \$200 donated and eligibility for \$100 in credit. The individual applies for a Children in Crisis credit by completing the MO-TC form and attaching it to their tax return along with a copy of the verification certification provided by a qualified agency. The tax return is filed prior to April 15, 2008 showing a tax due of \$150 before the credit has been applied. Payment for \$50 was included with the return. The individual is eligible for the \$100 credit.

(B) Using the same circumstances as above, the qualified agencies were allotted \$500,000 in available funds. Only \$400,000 in claims is submitted. The individual will be allowed \$100 in credit.

(C) Same circumstances as above yet \$1,000,000 in claims were received while the qualified agencies were only allotted \$500,000. The individual will receive 50% of the requested credit amount (\$50) and will be able to carry forward the remaining 50% (\$50) of eligible but not issued credit. A balance due notice will be issued for \$50 allowing 60 days to pay the balance due without incurring interest.

(D) An individual applies for a Children in Crisis tax credit and is allowed a credit equal to 75% of the \$6,000 claimed leaving a balance of \$1,500 in tax due. A balance due notice is issued stating the amount of tax owed (\$1,500). Within 60 days, the taxpayer enters into an approved payment arrangement and makes all required payments. Interest will not be charged.

AUTHORITY: House Committee Substitute for Senate Substitute for Senate Committee Substitute for SB 1229 enacted by the 93rd General Assembly, 2006. Original rule filed _____.

PUBLIC COST: This proposed regulation will cost state agencies or political subdivisions \$17,061.

PRIVATE COST: This proposed regulation will cost private entities \$50,940.

NOTICE TO SUBMIT COMMENTS: Anyone may file a statement in support of or in opposition to this proposed rule with the Missouri Department of Revenue, Legal Services Division, Governmental Affairs Bureau, PO Box 475, Jefferson City, MO 65105-0475. To be considered, comments must be received within thirty (30) days after publication of this notice on the Missouri Register. No public hearing is scheduled.

**SMALL BUSINESS IMPACT STATEMENT
PROPOSED RULE**

12 CSR 400.210 Children in Crisis Tax Credit

1. This rule impacts any small business that makes contributions to a Qualified Agency. This rule requires small businesses to provide the required information when claiming the Children in Crisis tax credit.
2. Any small business claiming the Children in Crisis tax credit will be required to file an MO 1040, and MO-TC and provide the contribution verification provided by the Qualified Agency receiving the contribution.
3. There are no direct costs related to this rule. The indirect costs are included in the private cost fiscal note and are for recordkeeping and the filing of amended returns to claim the credits. The department believes the cost will be less than \$50,940 annually in the aggregate.
4. The monetary costs to the department of revenue directly related to this rule are included in the public cost fiscal note. These costs total \$17,061 and include costs for processing, apportioning and postage. There are no monetary benefits to the Department of Revenue (DOR) from this rule. The Department of Social Services (DSS) maintains certain data regarding these credits. The DOR cannot determine the monetary costs to DSS. There are no benefits to other state agencies from this rule.
5. The department is not aware of any additional cost savings that could be obtained consistent with the individual income tax obligations of Chapter 143.
6. The rule has been distributed on a list serve subscribed to by many individual income tax filers and practitioners.
7. There are no similar provisions in Federal law.

FISCAL NOTE PUBLIC COST

RULE NUMBER

Rule Number and Name:	12 CSR 400.210 Children in Crisis
Type of Rulemaking:	New Rule

II. SUMMARY OF FISCAL IMPACT

Affected Agency or Political Subdivision	Estimated Annual Cost of Compliance in the Aggregate
Missouri Department of Revenue	\$17,061
Missouri Department of Social Services	\$Unknown

III. WORKSHEET

It costs the Department of Revenue \$2.72 to process each Children in Crisis tax credit claim. If an estimated 1,500 filers claim the Children in Crisis tax credit, the aggregate costs for DOR to process the claims will be approximately \$4,080. In addition to the processing costs, apportioning the funds available on all valid claims as required by section 135.327, RSMo will require a TPT III and three TPT II's for a minimum of 900 hours totaling \$12,501. Postage costs for the adjustment notices will total an estimated \$480. Costs for processing, apportioning and postage total \$17,061. The Department of Social Services (DSS) maintains certain data regarding these credits. The DOR cannot determine the monetary costs to DSS.

IV. ASSUMPTIONS

Due to this being the first time for filing this credit, the number of claims filed claiming the Maternity Home tax credit in FY2006 was used to estimate the total number of claims that may be filed in one fiscal year. Also assume the funds available for the Children in Crisis credit will need to be apportioned among all filers claiming the credit. No claimants will receive the full amount claimed. Adjustment notices will be required for all filers. Salaries for FTE required for processing are midrange as of FY 2007.

FISCAL NOTE PRIVATE COST

RULE NUMBER

Rule Number and Name:	12 CSR 400.210 Children in Crisis
Type of Rulemaking:	New Rule

II. SUMMARY OF FISCAL IMPACT

Estimate of the number of entities by class, which would likely be affected by the adoption of the proposed rule.	Classification by types of the business entities which would likely be affected.	Estimate in cost of compliance by the affected entities.
1425	Individuals	\$48,393
75	Businesses, sole proprietors, LLCs, partnerships, S-Corporations	\$2,547

III. WORKSHEET

The Department of Revenue expects to receive approximately 1,500 claims for the Children in Crisis tax credit from individuals and businesses. The estimated cost to prepare, file and mail an amended individual income tax return is \$33.96. The total annual aggregate costs for all affected entities are \$50,940.

IV. ASSUMPTIONS

The average hourly rate is \$16.62 and it takes two hours recordkeeping and return preparation to complete a tax return claiming a Children in Crisis tax credit with mailing costs of \$0.72 each. Five percent or less of all Children in Crisis credit claims are expected to be filed by businesses.